



DEPARTMENT OF THE TREASURY

Alcohol and Tobacco Tax and Trade Bureau

27 CFR Part 9

[Docket No. TTB-2020-0003; T.D. TTB-166; Ref: Notice No. 188]

RIN: 1513-AC70

Establishment of the Palos Verdes Peninsula Viticultural Area

AGENCY: Alcohol and Tobacco Tax and Trade Bureau, Treasury.

ACTION: Final rule; Treasury decision.

SUMMARY: The Alcohol and Tobacco Tax and Trade Bureau (TTB) establishes the approximately 15,900-acre “Palos Verdes Peninsula” viticultural area in the southwestern coastal region of Los Angeles County, California. The Palos Verdes Peninsula viticultural area is not located within, nor does it contain, any established viticultural area. TTB designates viticultural areas to allow vintners to better describe the origin of their wines and to allow consumers to better identify wines they may purchase.

DATES: This final rule is effective [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Karen A. Thornton, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street NW., Box 12, Washington, DC 20005; phone 202-453-1039, ext. 175.

SUPPLEMENTARY INFORMATION:

Background on Viticultural Areas

TTB Authority

Section 105(e) of the Federal Alcohol Administration Act (FAA Act), 27 U.S.C. 205(e), authorizes the Secretary of the Treasury to prescribe regulations for the labeling of wine, distilled spirits, and malt beverages. The FAA Act provides that these regulations should, among other things, prohibit consumer deception and the use of misleading statements on labels and ensure that labels provide the consumer with adequate information as to the identity and quality of the product. The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers the FAA Act pursuant to section 1111(d) of the Homeland Security Act of 2002, codified at 6 U.S.C. 531(d). The Secretary has delegated the functions and duties in the administration and enforcement of these provisions to the TTB Administrator through Treasury Order 120–01, dated December 10, 2013 (superseding Treasury Order 120–01, dated January 24, 2003).

Part 4 of the TTB regulations (27 CFR part 4) authorizes TTB to establish definitive viticultural areas and regulate the use of their names as appellations of origin on wine labels and in wine advertisements. Part 9 of the TTB regulations (27 CFR part 9) sets forth standards for the preparation and submission to TTB of petitions for the establishment or modification of American viticultural areas (AVAs) and lists the approved AVAs.

Definition

Section 4.25(e)(1)(i) of the TTB regulations (27 CFR 4.25(e)(1)(i)) defines a viticultural area for American wine as a delimited grape-growing region having distinguishing features, as described in part 9 of the regulations, and a name and a delineated boundary, as established in part 9 of the regulations. These designations allow vintners and consumers to attribute a given quality, reputation, or other characteristic of a wine made from grapes grown in an area to the wine's geographic origin. The establishment of AVAs allows vintners to describe more accurately the origin of their wines to consumers and helps consumers to identify wines they may purchase. Establishment of an AVA is neither an approval nor an endorsement by TTB of the wine produced in that area.

Requirements

Section 4.25(e)(2) of the TTB regulations (27 CFR 4.25(e)(2)) outlines the procedure for proposing an AVA and provides that any interested party may petition TTB to establish a grape-growing region as an AVA. Section 9.12 of the TTB regulations (27 CFR 9.12) prescribes standards for petitions for the establishment or modification of AVAs. Petitions to establish an AVA must include the following:

- Evidence that the area within the proposed AVA boundary is nationally or locally known by the AVA name specified in the petition;
- An explanation of the basis for defining the boundary of the proposed AVA;
- A narrative description of the features of the proposed AVA affecting viticulture, such as climate, geology, soils, physical features, and elevation, that

make the proposed AVA distinctive and distinguish it from adjacent areas outside the proposed AVA;

- The appropriate United States Geological Survey (USGS) map(s) showing the location of the proposed AVA, with the boundary of the proposed AVA clearly drawn thereon; and
- A detailed narrative description of the proposed AVA boundary based on USGS map markings.

Palos Verdes Peninsula Petition

TTB received a petition from James York, owner of Catalina View Wines, on behalf of the Palos Verdes Peninsula Winegrowers, proposing to establish the “Palos Verdes Peninsula” AVA. The proposed AVA is located in Los Angeles County, California, and includes the cities of Palos Verdes Estates, Rolling Hills Estates, Rancho Palos Verdes, and Rolling Hills, California. The proposed AVA is not located within, nor does it contain, any established AVA. Within the 15,900-acre proposed AVA, there are 7 acres of commercial vineyards. The distinguishing features of the proposed Palos Verdes Peninsula AVA are its geology, soils, topography, and climate.

The proposed Palos Verdes Peninsula AVA is located on an isolated upland peninsula created by tectonic uplift and volcanic activity. Periods of intense geologic activity subjected the region of the proposed AVA to repeated cycles of uplift, erosion, submersion, and deposition. The submersion process laid down significant amounts of marine deposits, which contributed to the soil composition. Uplift created new lands, while erosion wore away the newly-formed lands to create the series of marine terraces that characterize the region’s topography today. The geology of the proposed AVA consists primarily of the Monterey Formation and ancient landslides, which formed the basis for two

of the primary soils of the proposed AVA—Altamont Clay Adobe and Altamont Clay Loam. A third soil commonly found in the proposed AVA is the Diablo Clay Adobe. These three soils are rich in clays, adobe, and loamy clay and contain high amounts of calcium. The soils retain moisture in dry weather while allowing for good drainage. According to the petition, the levels of calcium in the soils produce thicker grape skins than are found on the same grape varieties grown in non-calcareous soils. The thicker grape skins increase the amount of color, flavor, and aromatics in the resulting wine.

The topography of the proposed Palos Verdes Peninsula AVA consists of a low altitude mountain of the Coast Range situated between the Los Angeles Plain and the Pacific Ocean. Rolling hills, incised canyons, and coastal bluffs and terraces cover the proposed AVA. Elevations range from sea level on the western and southern edges of the proposed AVA to about 1,460 feet above sea level at San Pedro Hill, which is located near the eastern/central area of the Palos Verdes Hills. The slope angles of the vineyards in the proposed AVA range from gentle to high (0–50%). Terracing the vineyards that are planted on steeper slopes allows for drainage/erosion control, equipment access, and optimal solar orientation. The moderate slopes within the proposed AVA promote air flow to minimize mildew and frost risk and also allow for drainage of excess water. The aspects of the vineyard slopes face south, southeast, and southwest, providing year-round solar exposure. South-facing and southwest-facing slopes promote earlier bud break, bloom, and harvest than other aspects. Southeast-facing slopes bring morning radiation for soil warmth and canopy growth.

The climate of the proposed Palos Verdes Peninsula AVA is “Mediterranean warm,” which is characterized by warm, dry summers and mild

winters with limited rainfall. Average monthly high temperatures within the proposed AVA range from 63 to 74 degrees Fahrenheit (F), and average monthly low temperatures range from 48 to 62 degrees F. Extreme monthly highs range from 74 to 84 degrees F, and extreme monthly lows range from 46 to 60 degrees. Average annual rainfall within the proposed AVA is 14.03 inches. According to the petition, these climatic conditions are suitable for growing grape varieties such as Pinot Noir, Chardonnay, Merlot, and Cabernet Sauvignon.

To the south and west of the proposed Palos Verdes Peninsula AVA is the Pacific Ocean. To the north, northeast, and east of the proposed AVA are relatively flat lowland areas with elevations ranging from sea level to about 500 feet and slope angles of 25 percent or less. These lowland regions experienced less intense levels of tectonic uplift and volcanic activity, and the geology consists mainly of surficial sediments, older surficial sediments, and shallow marine sediments. Soils to the north, northeast, and east of the proposed AVA have lower levels of clay and calcium than the soils of the proposed AVA. Monthly average temperatures in the regions surrounding the proposed AVA are generally warmer, ranging between 4 and 6 degrees F higher in the colder months and between 5 and 8 degrees F higher in the warmer months. The average highest and lowest monthly temperatures in the surrounding regions are also more extreme than those within the proposed Palos Verdes Peninsula. Finally, the average annual rainfall amounts are generally lower in the regions surrounding the proposed AVA.

Notice of Proposed Rulemaking and Comments Received

TTB published Notice No. 188 in the **Federal Register** on May 26, 2020 (85 FR 31416), proposing to establish the Palos Verde Peninsula AVA. In the notice, TTB summarized the evidence from the petition regarding the name,

boundary, and distinguishing features for the proposed AVA. The notice also compared the distinguishing features of the proposed AVA to the surrounding areas. For a detailed description of the evidence relating to the name, boundary, and distinguishing features of the proposed AVA, and for a detailed comparison of the distinguishing features of the proposed AVA to the surrounding areas, see Notice No. 188.

In Notice No. 188, TTB solicited comments on the accuracy of the name, boundary, and other required information submitted in support of the petition. The comment period closed July 27, 2020.

In response to Notice No. 188, TTB received a total of four comments. The commenters included local wine industry members and a former member of the Rancho Palos Verdes Planning Commission. All of the comments supported the establishment of the proposed Palos Verdes Peninsula AVA. Two of the comments expressed support for the proposed AVA due to its unique characteristics (comments 3 and 4), one comment supported the proposal due to the quality of wines produced from grapes grown in the region (comment 1), and the fourth comment expressed general support for the proposal without offering an explanation (comment 2).

TTB Determination

After careful review of the petition and the comments received in response to Notice No. 188, TTB finds that the evidence provided by the petitioner supports the establishment of the Palos Verdes Peninsula AVA. Accordingly, under the authority of the FAA Act, section 1111(d) of the Homeland Security Act of 2002, and parts 4 and 9 of the TTB regulations, TTB establishes the “Palos Verdes Peninsula” AVA in Los Angeles County, California, effective 30 days from the publication date of this document.

Boundary Description

See the narrative description of the boundary of the Palos Verdes Peninsula AVA in the regulatory text published at the end of this final rule.

Maps

The petitioners provided the required maps, and they are listed below in the regulatory text. You may also view the Palos Verdes Peninsula AVA boundary on the AVA Map Explorer on the TTB website, at <https://www.ttb.gov/wine/ava-map-explorer>.

Impact on Current Wine Labels

Part 4 of the TTB regulations prohibits any label reference on a wine that indicates or implies an origin other than the wine's true place of origin. For a wine to be labeled with an AVA name or with a brand name that includes an AVA name, at least 85 percent of the wine must be derived from grapes grown within the area represented by that name, and the wine must meet the other conditions listed in 27 CFR 4.25(e)(3). If the wine is not eligible for labeling with an AVA name and that name appears in the brand name, then the label is not in compliance and the bottler must change the brand name and obtain approval of a new label. Similarly, if the AVA name appears in another reference on the label in a misleading manner, the bottler would have to obtain approval of a new label. Different rules apply if a wine has a brand name containing an AVA name that was used as a brand name on a label approved before July 7, 1986. See 27 CFR 4.39(i)(2) for details.

With the establishment of the Palos Verdes Peninsula AVA, its name, "Palos Verdes Peninsula," will be recognized as a name of viticultural significance under § 4.39(i)(3) of the TTB regulations (27 CFR 4.39(i)(3)). The

text of the regulations clarifies this point. Consequently, wine bottlers using the name “Palos Verdes Peninsula” in a brand name, including a trademark, or in another label reference as to the origin of the wine, will have to ensure that the product is eligible to use the AVA name as an appellation of origin.

Regulatory Flexibility Act

TTB certifies that this regulation will not have a significant economic impact on a substantial number of small entities. The regulation imposes no new reporting, recordkeeping, or other administrative requirement. Any benefit derived from the use of an AVA name would be the result of a proprietor’s efforts and consumer acceptance of wines from that area. Therefore, no regulatory flexibility analysis is required.

Executive Order 12866

It has been determined that this final rule is not a significant regulatory action as defined by Executive Order 12866 of September 30, 1993. Therefore, no regulatory assessment is required.

Drafting Information

Karen A. Thornton of the Regulations and Rulings Division drafted this final rule.

List of Subjects in 27 CFR Part 9

Wine.

The Regulatory Amendment

For the reasons discussed in the preamble, TTB amends title 27, chapter I, part 9, Code of Federal Regulations, as follows:

PART 9—AMERICAN VITICULTURAL AREAS

1. The authority citation for part 9 continues to read as follows:

Authority: 27 U.S.C. 205.

Subpart C—Approved American Viticultural Areas

2. Subpart C is amended by adding § 9.274 to read as follows:

§ 9.274 Palos Verdes Peninsula.

(a) *Name*. The name of the viticultural area described in this section is “Palos Verdes Peninsula”. For purposes of part 4 of this chapter, “Palos Verdes Peninsula” is a term of viticultural significance.

(b) *Approved maps*. The three United States Geological Survey (USGS) 1:24,000 scale topographic maps used to determine the boundary of the Palos Verdes Peninsula viticultural area are titled:

- (1) Redondo Beach, CA, 1996;
- (2) Torrance, Calif., 1964 (photorevised 1981); and
- (3) San Pedro Calif., 1964 (photorevised 1981).

(c) *Boundary*. The Palos Verdes Peninsula viticultural area is located in the southwestern coastal region of Los Angeles County, and contains the cities of Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, and Rancho Palos Verdes, California. The boundary of the Palos Verdes Peninsula viticultural area is as described below:

(1) The beginning point is on the Redondo Beach map at the intersection of the Pacific Ocean and the Torrance corporate boundary at Malaga Cove, R14W/T4S; then

(2) From the beginning point, proceed east, then generally southeast, along the Torrance corporate boundary, crossing onto the Torrance map, to the corporate boundary’s intersection with the Lomita corporate boundary, R14W/T4S; then

(3) Proceed generally southeast along the Lomita corporate boundary to its intersection with Western Avenue, R14W/T4S; then

(4) Proceed south along Western Avenue, crossing onto the San Pedro map, to the road's intersection with the Los Angeles city boundary, R14W/T5S; then

(5) Proceed west, then generally south, then southwest along the Los Angeles city boundary to its intersection with the Pacific Ocean at Palos Verdes Peninsula Park, R14W/T5S; then

(6) Proceed clockwise along the Pacific coastline to return to the beginning point.

Signed: December 1, 2020.

Mary G. Ryan,

Administrator.

Approved: January 5, 2021.

Timothy E. Skud,

*Deputy Assistant Secretary
(Tax, Trade, and Tariff Policy).*

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